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MITCH O'FARRELL
Councilmember
Thirteenth Council District

Education and Neighborhoods
Member

Innovation, Technology and
General Services
Member

Public Safety
Member

May 2, 2014

Councilmember Paul Krekorian
Chair, Budget & Finance Committee
200 N. Spring Street
Los Angeles, CA 90012

Re: Housing & Community Investment Department

Dear Councilmember Krekorian,

I am writing this letter to request that your committee consider Council File 14-0361 regarding a policy to dedicate a percentage of the tax revenue the City is receiving from the dissolution of the Community Redevelopment Agency (CRA) to the Affordable Housing Trust Fund (AHTF). This item was approved by the Housing Committee and is now pending in the Budget & Finance Committee.

As requested, the Housing & Community Investment Department (HCID) has prepared a report on this matter and it is my hope that the City Council will act on it during current budget deliberations. I believe the City Council should support at least 25% of the aforementioned funds to be dedicated to the AHTF. The HCID report provides two options for Council's consideration: dedicate 25% of former tax increment funds this year to the AHTF or a phased approach that would dedicate 10% this year, 25% FY 2015-2016 and 35% FY 2016-2017. Both are solid recommendations that would make an impactful statement toward our commitment to create more affordable housing in the City. I look forward to working with your committee and the entire City Council to build consensus.

The proposed budget anticipates that the City will receive \$48 million in former CRA revenues in FY 2014-2015. Since the elimination of the CRA in 2012, the City has received approximately \$121 million in new property tax revenue. The CRA used to allocate 25% of its funding to affordable housing - 20% was mandated by State Redevelopment Law and the local CRA elected to provide an additional 5% towards the AHTF. The elimination of the CRA represents a loss of approximately \$50 million annually dedicated to affordable housing. Dedicating a percentage of the former tax increment funds to the AHTF will not close that gap, but it is a step in the right direction towards bolstering the preservation and creation of affordable housing.



The City of Los Angeles has an affordable housing crisis. We have the highest amount of rent burdened individuals and families, a growing homeless population and a diminishing stock of affordable housing options. Compared to other major cities, Los Angeles, has the largest gap between rent and income levels and does not have a permanent source of funding to address affordability. Funding for the AHTF has steadily declined from its peak of approximately \$100 million in 2010 to approximately \$26 million this year. Currently, the AHTF is being supported entirely with federal funds with no local match. Creating a permanent source of revenue for the AHTF is one way to attack this crisis. Additionally, the trust fund is well-established and has the capacity to immediately utilize the additional funds.

I understand the constraints of the current budget realities and believe affordable housing is a responsible investment in our future. Other cities in California such as Oakland have already dedicated a portion of these funds to affordable housing and Los Angeles should do the same. I am confident we can accomplish this.

With kind regards,



MITCH O'FARRELL
Councilmember, District 13
Los Angeles City Council
City of Los Angeles

Cc: Councilmember Mitchell Englander
Councilmember Paul Koretz
Councilmember Bob Blumenfield
Councilmember Mike Bonin